

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Approval of Minutes of July 8, 1999

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: August 5, 1999

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Please see the attached minutes of the July 8, 1999, meetings of the Teachers' Retirement Board.

PROPOSED  
MINUTES OF THE  
TEACHERS' RETIREMENT BOARD  
OPEN SESSION  
TUESDAY, July 8, 1999  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA 95826

**BOARD MEMBERS PRESENT**

Emma Zink, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Gary Lynes  
Marty Mathiesen  
Lillian Raffel  
Beth Renge, representing the State Controller, Kathleen Connell  
Patrick Keegan, representing the Superintendent of Public Instruction, Delaine Eastin  
Michael Picker, representing the State Treasurer, Philip Angelides  
Annette Porini, representing the Director of Finance, Timothy Gage

**OTHER BOARD MEMBERS PRESENT**

Eileen Park

**STAFF PRESENT**

James D. Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Christopher Waddell, Chief Counsel  
Jennifer DuCray-Morrill, Chief External Affairs Officer  
Elleen Okada, Director, Investment Administration and External Relations  
Michael Carter, DCEO, Client Benefits & Services  
Peggy Plett, DCEO, Administration  
Laurence Martin, DCEO, Information and Financial Services  
Ken Costa, START Project Director  
Ed Derman, DCEO, External Affairs and Program Development  
Carole Piombo, Chief, Information Technology Division  
John Gaebler, Analyst, Information Technology Division  
Francisco Lujano, Manager, Cash Balance Benefit Program  
Mary Miles, Administrative Assistant

**OTHERS PRESENT**

Maureen Rice, SPL World Group Consulting  
Jim Peterson, Data Dimensions, Inc.  
Donald Douglas, CTA  
Al Reyes, UTLA  
Edna White, CRTA

Bill Collins, CTA  
George Wichman, CTA

A quorum being present, Chairperson Zink called the July 8 meeting to order at 10:05 a.m.

**II. APPROVAL OF MINUTES OF JUNE 1 and JUNE 3, 1999 MEETING**

MOTION duly made by Mr. Fenimore, seconded by Ms. Porini, and carried to approve the Board Meeting Minutes of June 1 and June 3, 1999.

**III. ANNOUNCEMENTS**

There were no announcements.

**IV. COMMITTEE REPORTS**

HEALTH BENEFITS COMMITTEE: Ms. Renge, representing the Chairperson of the Health Benefits Committee, reported that the Committee adopted the minutes of the June 1, 1999 meeting. Ms. Renge announced that the next two Committee meetings would be held on Thursday, August 5 and September 2 to accommodate the Health Benefit Task Force Meetings. Ms. Renge reported that Mr. Jensen from Kaiser was unable to attend and will be scheduled for a future meeting. Mercer presented the preliminary findings of the Health Benefits Study and the Committee discussed the aggregation of purchasing power and the improvement of quality care. Staff will present recommendations on determining whether or not to pursue health care grants.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that the Committee, in open session, heard a panel on Asset Allocation. The Committee reviewed the System's Asset Allocations and directed staff and the consultant to give additional information as part of the process when running the models. Staff was directed to use constraints to keep alternative investments and real estate at maximums of 5%, keep cash at 1%, and make sure that there is at least a 25% minimum in domestic equity exposure. The Committee approved a resolution authorizing the School Bond Credit Enhancement and approved amendments to the contracts for PCA and E&Y Leventhal Real Estate Group to look at a special situation on an opportunistic fund. The Committee received a report from the Sub-Committee on Corporate Governance, which will meet the next three months to detail their workplan. The Committee also reviewed the proposed Investment Branch objectives for the upcoming year; received activity status reports on Credit Enhancement, Real Estate, Alternative Investments; and received a report on the Quarterly Litigation Report. The report of the Chief Investment Officer included a proposed press release stating that the System had crossed the \$100 billion mark.

In closed session, the Committee received Cash Flow Projections analysis for the coming year for Asset Allocations, and received a report on Alternative Investments and Real Estate.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported that the Committee discussed exempt position compensation and directed staff to prepare and submit a proposal to the Department of Personnel Administration for discussion to determine the appropriate level of salary ranges.

BY CONSENSUS, the report of the Executive Compensation Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Mr. Fenimore, Chairperson of the Budgets and Audits Committee, reported that the Committee approved, in concept, the 2000-2001 proposed Budget. The Committee also received informational reports on the 1998/99 and 1999/00 budget, the Executive Expense Account, the strategic planning for School District Audits Process Re-Engineering, the START Project Review, and the Compliance Case Summary.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Dr. Bodle, Chairperson of the Benefits and Services Committee, reported that the Committee approved a new Level of Service format, and adopted the Lump-Sum Death Payment Adjustments and the Contribution Rate for Additional Service Credit and Employer Contribution Rate for Elected Officials of Employee Organizations. The Committee also heard reports on the Client Advisory Committee and Telephone Center Options.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman went over the schedule for the August Board and Committee meetings. Mr. Mosman also reported that the System's Comprehensive Annual Financial Report would soon be available on the CalSTRS Web Site.

VI. **START PROJECT STATUS**

Mr. Costa and Ms. Rice of SPL WorldGroup Consulting, presented this item. Mr. Costa reported that the first large integrated piece of the system had been received and is ready for testing. The testing team has been restructured to look at the critical path analysis for testing which will allow the team to focus on those pieces of the system that trace a member from the beginning to end of the process. The only major issue to finalize is to test Software AG 's Y2K compliance software that had been installed by Teale Data Center.

VII. **UPDATE ON LEGISLATION**

STATE: Mr. Derman provided an update on major legislation.

FEDERAL: Ms. DuCray-Morrill reported that Mandatory Social Security was still a concern although there had been no action since her last report. Ms. DuCray-Morrill also

reported that the House Appropriations bill contained the second installment of Elk Hills; however, it was not contained in the Senate version. Ms. DuCray-Morrill emphasized the need for members to write to the Administration requesting that the President include this item in his budget.

VIII. **TRAVEL**

Chairperson Zink and Ms. Raffel requested to attend the NCTR Annual Conference. Mr. Mitchell and Ms. Okada were directed to use Business Class fare when booking their flights for the trip to London, Scotland, and Paris.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Raffel, and carried to approve the proposed travel requests as amended. Ms. Renge voted no.

MOTION duly made by Ms. Raffel, seconded by Mr. Lynes, and carried to approve the travel summaries as presented. Ms. Renge voted no.

IX. **Y2K PROJECT UPDATE / BUSINESS CONTINUITY PLAN**

Mr. Martin, Ms. Piombo, Mr. Gaebler, and Mr. Peterson from Data Dimension, presented a summary of the System's critical operation systems and the Year 2000 Continuity Plan. Mr. Martin discussed the early transfer of funds for State Street Bank and the possible need for an alternative-disbursing agent. Mr. Martin will come back next month with costs and recommendations associated with an alternative disbursement agent.

Dr. Bodle left at 11:27 a.m.

X. **403(b) PROGRAM UPDATE**

Mr. Derman provided an update on the 403(b) Program and stated that there was an 11 percent increase in the active participants in the Program since the beginning of the year. Staff is working with State Street Bank regarding problems that members are experiencing with the administration of the Program. Mr. Derman also stated that staff would be working with CTA to determine how to increase CalSTRS' access to potential program participants.

XI. **CASH BALANCE PROGRAM UPDATE**

Mr. Lujano reported that staff is currently going through year-end closing and the annual statements of account will be going out in August. Mr. Lujano also reported that Mira Costa Community College District might be discontinuing their current provider, which would allow their participants to rollover their accounts to the CalSTRS program. Also, presentations are scheduled this month for the Los Angeles Community College and the San Jose area Adult Education Administrators. Mr. Lujano also discussed the future strategies and proposed promotional ideas.

XII. **QUARTERLY LITIGATION REPORT**

Mr. Waddell presented this item.

XIII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements.

XIV. **MOVED TO CLOSED SESSION**

Chairperson Zink moved into closed session at 11:47 a.m.

XV. **ADJOURNMENT**

At 11:54 a.m., Chairperson Zink returned to open session. There being no further business to conduct, the meeting was adjourned at 11:55 a.m.

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James D. Mosman, Chief Executive Officer  
and Secretary to the Teachers' Retirement Board

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Emma Zink, Chairperson